METHODS AND ASSUMPTIONS FOR DEFINING
DISPROPORTIONATE SHARE HOSPITALS

A. Final Determination

The annual determination of disproportionate share status as shown on the disproportionate share list will be final (no retroactive changes will be made based on actual year of service data).

The following describes the determination, data, and the processes to be used in determining a hospital's status as a disproportionate share provider and the applicable payment adjustments.

All calculations are to be rounded to the nearest tenth of a percent.

B. Medicaid Inpatient Utilization Rate

(1) Individual Hospital Calculation

A hospital's Medicaid inpatient utilization rate shall be the quotient (expressed as a percentage) which results from dividing the number of the hospital's acute care inpatient days attributable to patients who (for such days) were eligible for medical assistance under this State Plan during a defined 12-month period by the total number of the hospital's inpatient days during the same time period. In calculations involving Medicaid Inpatient Utilization Rates, this period is the most recent calendar year ending 18 months prior to the beginning of the payment adjustment year in question. For example, if disproportionality were being determined for the 1991-92 payment adjustment year, the defined period would be calendar year 1989.

To determine "Medicaid Days" the State shall total for each hospital the general acute care inpatient days, all nursery inpatient days, acute psychiatric inpatient days, transitional inpatient care days, and administrative days for the calendar year ending 18 months prior to the beginning of the payment adjustment year for which payment adjustments are required. These data are based on the Medi-Cal Month of Payment tapes created by the State's fiscal intermediary and

transmitted by the intermediary to the Department of Health Services. The acute psychiatric inpatient days provided to Medicaid eligible persons under the Short-Doyle/Medi-Cal program are taken from a separate file of the Medi-Cal Paid Claims System for the same calendar year. General acute care inpatient and acute psychiatric care inpatient days for Medicaid eligible persons paid by Health Insuring Organizations (HIO) are included in the calculations. When consistent and reliable data is available statewide as determined by the Department of Health Services, the Department may include general acute care inpatient and acute psychiatric care inpatient hospital days attributable to Medicaid beneficiaries enrolled under managed care organizations under contract with the Department to provide such services. Using the OSHPD statewide data base file for the calendar year ending 18 months prior to the beginning of the payment adjustment year for which payment adjustments are required, the number of Medicaid patient days for non-California Medicaid beneficiaries reported by each hospital is divided by the total number of Medicaid patient days reported by each hospital. The count of Medicaid patient days is based on discharge records which report that Medi-Cal (used synonymously with Title XIX) was the expected principal source of payment at the time of discharge. Acute care, psychiatric and rehabilitation care types of discharge records are included, while skilled nursing, intermediate care and non-acute alcohol/drug rehabilitation care discharge records are excluded from the calculation of the ratio. This ratio is then applied to each hospital's paid Medi-Cal days for the same period to estimate those Medicaid days which originate outside of the state. (It is noted that "Medicaid Days" does not include subacute care days and long term care days.)

To determine "Total Days" the State shall use data from the OSHPD statewide data base file for the calendar year ending 18 months prior to the beginning of the particular payment adjustment year. In calculating the actual number of "Total Days," the State shall add the general acute care inpatient days, all nursery inpatient days, acute psychiatric inpatient days, transitional inpatient care days, and a administrative days in the Annual Report and shall subtract the patient days

for chemical dependency recovery services in licensed general acute patient beds and in licensed acute psychiatric care beds in the Annual report.

The specific formulae used to derive this percentage are as follows:

MEDICAID_PERCENT = ((MEDICAID_DAYS/TOTAL_DAYS)*100)

WHERE:

MEDICAID_DAYS = Total_Paid_Medicaid_Days +
Est._Out_of_State_Medicaid_Patient_Days

Total_Paid_Medicaid_Days =
Medicaid_GAC_Days + Medicaid_APC_Days +
Medicaid_Nursery_Days +
Medicaid_Short_Doyle_Days +
Medicaid_Transitional_Inpatient_Care_Days +
Medicaid_Administrative_Days

Estimated_Out_of_State_Medicaid_Beneficiary_Patient_Days=
(Total_Paid_Medicaid_Days *
(Out_of_State_Medicaid_Beneficiary_Patient_Days
/Total_Medicaid_Patient_Days))

Total_Medicaid_Patient_Days and
Out_of_State_Medicaid_Beneficiary_Patient_Days
are extracted directly from the OSHPD Discharge
Data Set and are as reported by the hospital.

TOTAL_DAYS = Total_GAC_Days + Total_APC_Days +
Total_Nursery_Days +
Total_Transitional_Inpatient_Care_Days -
Chem_Dependency_Days_in_GAC_Beds -
Chem_Dependency_Days_in_APC_Beds

GAC = General Acute Care
APC = Acute Psychiatric Care

The following arithmetic symbols are used:

| | |
|---|---|
| + | addition |
| -(dash) | subtraction |
| * | multiplication |
| / | division |

In addition, the symbol _ (underscore) is used to connect words that are part of variable names.

(2) Calculation of Mean and Standard Deviation of Medicaid Utilization Rate

The mean and one standard deviation above the mean of the Medicaid utilization rate shall be calculated based on data for all hospitals receiving Medicaid payments in the State for the calendar year period ending 18 months prior to the beginning of the particular payment adjustment year. These statistics shall be weighted by the total patient days in each hospital.

**C. Low-Income Utilization Rate**

A hospital's low-income utilization rate for a defined period of time shall be the sum of two fractions (expressed as a percentage) which consist of the factors described below. In calculations involving Low-Income Utilization Rates, this defined period varies by hospital and is taken as the hospital's fiscal time period which ends during the calendar year which ends 18 months prior to the beginning of the particular payment adjustment year. For example, if disproportionality were being examined for the State's fiscal year 1991/92, the OSHPD Annual Financial Disclosure Report for the time period which ends in calendar year 1989 would be used.

LOW_INCOME = MEDICAID + CHARITY

(1) Fraction Number 1 (MEDICAID)

The first fraction involves the total revenues paid to a hospital for patient services - including cash subsidies from State and local governments. The numerator of this fraction is the total amount of dollar revenue paid to a hospital for the defined 12 month period for patient services (Inpatient and Outpatient) under the State Plan plus any cash subsidies for patient services received directly from State and local governments. The denominator of this fraction is the total amount of dollars paid to a hospital (including the amount of such cash subsidies) minus the disproportionate share payments made pursuant to page 18 et seq. of this Attachment 4.19A for the same defined period

for all patient services.

For the first fraction, the numerator shall consist of the following items from the applicable OSHPD Annual Financial Disclosure Report, OSHPD Annual Patient Discharge Data and data collected by the Department of Health Services: Medi-Cal Net Patient Revenue (Inpatient and Outpatient), minus the absolute value of Disproportionate Share Payments for Medi-Cal Patient Days (if any), plus County Indigent Program Net Patient Revenue (Inpatient and Outpatient), (if any) plus Managed Care Program Net Inpatient Medi-Cal Revenue (if any) plus the absolute value of U.C. Gross Clinical Teaching Support (if any). The denominator shall consist of the following items from the applicable OSHPD Annual Financial Disclosure Report: Total Net Patient Revenue for all patients minus the absolute value of Disproportionate Share Payments for Medi-Cal Patient Days.

MEDICAID = 100[(MCLPDPRV + CSHTOSUB) / TOTPDPRV].

Where:

MCLPDPRV = Medi-Cal Paid Patient Revenue
= MCNETPRV - |DISPSHRE| + MCPNIPRV.

MCNETPRV = Medi-Cal Net Patient Revenue.
DISPSHRE = Disproportionate Share Payments for Medi-Cal Patient Days.
MCPNIPRV = Managed Care Program Net Inpatient Medi-Cal Revenue.

CSHTOSUB = Total Cash Subsidies from State and Local Government
= |UCCLTCHS| + CIPNPREV.

UCCLTCHS = U.C. Gross Clinical Teaching Support.

CIPNPREV = County Indigent Program Net Patient Revenue.

TOTPDPRV = Total Paid Patient Revenue
= TOTNETPR - |DISPSHRE|.

TOTNETPR = Total Net Patient Revenue.
DISPSHRE = Disproportionate Share Payments for Medi-Cal Patient Days.

(2) Fraction Number 2 (CHARITY)

The second fraction involves the total charges of a hospital for inpatient hospital services. The numerator of this fraction is the total amount of the hospital's charges for inpatient hospital services attributable to charity care less the portion of any state and local government cash subsidies reasonably attributable to inpatient hospital services. The denominator of this fraction is the total amount the hospital charges for inpatient hospital services in the hospital for the defined period.

In this fraction, the numerator shall be calculated with items from the applicable OSHPD Annual Financial Disclosure Report as follows:

(a) Total Other Inpatient Charity is the sum of County Indigent Program Gross Inpatient Revenue (if any), minus County Indigent Program Gross Inpatient Charity (if any), plus Gross Inpatient Charity (if any), minus Hill Burton Gross Inpatient Charity (if any), plus U.C. Gross Inpatient Teaching Allowances (if any), plus the absolute value of U.C. Gross Inpatient Clinical Teaching Support (if any). Gross Inpatient Charity is the sum of Non-Medi-Cal Gross Inpatient Charity (if any), plus Medi-Cal

Gross Inpatient Charity (if any). Medi-Cal Gross Inpatient Charity is calculated by multiplying Medi-Cal Gross Patient Charity (if any) by the ratio of Medi-Cal Gross Inpatient Revenue to Medi-Cal Gross Patient Revenue. Hill Burton Gross Inpatient Charity is calculated by multiplying Hill Burton Gross Patient Charity by the ratio of Gross Inpatient Charity to Gross Patient Charity. This results in an estimate of the amount of charity attributable to inpatient services.

(b) The Inpatient Portion of Total Cash Subsidies from State and Local Government is the sum of County Indigent Program Net Inpatient Revenue (if any), plus the absolute value of U.C. Gross Inpatient Clinical Teaching Support (if any). This results in an estimate of the amount of subsidies paid to inpatient charity services.

(c) The result of step (b) is subtracted from the result of step (a).

The denominator shall consist of Gross Inpatient Revenue extracted from the applicable OSHPD Annual Financial Disclosure Report.

Charity charges attributable to a hospital's Hill-Burton obligation are excluded from the calculation of low-income.

The numerator and denominator are expressed in detail as formulae below:

CHARITY = 100[(CHRIPOTH - CSHIPSUB) / GRINPREV].

Where:

CHRIPOTH = Total Other Inpatient Charity
= CIPGIPRV - CIPGIPCH + GRINPCHR - PCTIPCHR[HBGRPCHR]
+ UCIPTCAL + |UCIPCLTS|.

CIPGIPRV = County Indigent Program Gross Inpatient Revenue.
CIPGIPCH = County Indigent Program Gross Inpatient Charity.
GRINPCHR = Gross Inpatient Charity
= NMCINPCR + MCINPCHR.

NMCINPCR = Non-Medi-Cal Gross Inpatient Charity.
MCINPCHR = Medi-Cal Gross Inpatient Charity
= PCTMCIPR[MCGRPCHR].

PCTMCIPR = Medi-Cal Gross Inpatient Revenue as a Percentage of Medi-Cal Gross Patient Revenue
= MCGRIPRV / MCGRPTRV.

MCGRIPRV = Medi-Cal Gross Inpatient Revenue.
MCGRPTRV = Medi-Cal Gross Patient Revenue.

MCGRPCHR = Medi-Cal Gross Patient Charity.

PCTIPCHR = Gross Inpatient Charity as a Percentage of Gross Patient Charity
= GRINPCHR / GRPATCHR.

GRINPCHR = Gross Inpatient Charity (defined above).
GRPATCHR = Gross Patient Charity.

HBGRPCHR = Hill Burton Gross Patient Charity.
UCIPTCAL = U.C. Gross Inpatient Teaching Allowances.
UCIPCLTS = U.C. Gross Inpatient Clinical Teaching Support.

CSHIPSUB = Inpatient Portion of Total Cash Subsidies from State And Local Government
= |UCIPCLTS| + CIPNIPRV.

UCIPCLTS = U.C. Gross Inpatient Clinical Teaching Support.
CIPNIPRV = County Indigent Program Net Inpatient Revenue.

GRINPREV = Gross Inpatient Revenue.

(3) Data Sources Used in Determining Various Factors

Except as provided below, the Annual Financial Disclosure Report of a hospital submitted to OSHPD, as clarified by the data collected by the Department in accordance with subdivision (f) of Section 14105.98 of the Welfare and Institutions Code, shall be the source to determine the amounts of the various elements in fractions 1 and 2. The Annual Financial Disclosure Report of an individual hospital to be used for a particular payment adjustment year for which payment adjustments are required shall be that Report which covers the hospital's reporting fiscal time period which ends during the calendar year which ends 18 months prior to the beginning of the particular payment adjustment year. When consistent and reliable data are available, Annual OSHPD Patient Discharge Data and data collected by the Department of Health Services will be used as the data sources to determine inpatient hospital revenue attributable to Medicaid beneficiaries enrolled under managed care organizations under contract with the Department.